

By: Acting Director of Finance
To: Superannuation Fund Committee – 23 November 2007
Subject: **PENSIONS ADMINISTRATION**
Classification: Unrestricted

Summary: To advise members on a range of administration issues including:-

- Key Performance Indicators
- CIPFA Benchmark Survey 2006/07
- AXISe Employer Software Proposals
- Other Topical Issues

FOR INFORMATION

INTRODUCTION

1. Members are provided with Key Performance Indicator (KPI) results on a 6 monthly basis and our achievements in the annual CIPFA survey.

KEY PERFORMANCE INDICATORS

2. Attached at Appendix 1 are our results against KPI targets comparing the last two 6 monthly periods (6 months to April 2007 and 6 months to October 2007)
3. I am pleased to confirm that the high standards achieved in the previous period have been exceeded during the last 6 months despite this has been a very busy period for the Pensions Section.
4. Despite resources have been engaged in the preparation of data for the valuation of the scheme during the last 6 months, the section have improved on a very high level of performance in the key performance areas reported for the previous 6 months.

CIPFA BENCHMARK SURVEY 2006/07

5. The Pension Scheme participates in the annual CIPFA Benchmarking survey. The survey compares administration costs for the LGPS across the UK. Our results are compared with the 53 scheme participants and against a selected group of 16 other peer group shire authorities.

6. The peer group consists of the following Local Authorities:-

Bedfordshire	Gloucestershire	Northumberland
Buckinghamshire	Hampshire	Nottinghamshire
Cambridgeshire	Lancashire	Staffordshire
Cheshire	Lincolnshire	Surrey
Devon	Norfolk	
Essex	Northamptonshire	

7. The results shown at Appendix 2 reflect well upon the achievements of the Pensions Section. Headline achievements are:-

- Rank 12th out of 53 authorities (whole scheme) and 5th out of 17 authorities (peer group) in terms of administration costs per scheme member.
- Our overall cost per member is £5.50 lower than the whole scheme average.
- Payroll (pensioner) costs are very low, ranking Kent in 3rd place out of 17 peer group participants. This follows the return of Pensions Payroll to the AXISE payroll system from Capita, with the savings that this decision produced.
- Despite our existing investment in technology, we rank 6th in the peer group and some £1 per scheme member cheaper than the whole scheme average for IT costs.
- Surprisingly our costs per member for staff are lower than both the peer group (£2895 lower per FTE) and the whole scheme comparator (£5059 lower per FTE). In contrast we administer fewer members per FTE than both the peer group and whole scheme. These results reflect our policy of recruiting highly qualified trainees from University/School. Our staff turnover is lower than the whole scheme/peer group results.
- We are the second best qualified section in the whole of the survey and one of only two authorities with 60% or more staff holding either a PMI or IPPM qualification. This I am confident endorses our introduction of a career structure' to replace the traditional graded structure.

8. I believe the results confirm 'good value for money' is being delivered to scheme members in Kent. Whilst the survey does not measure 'quality of service' to any detailed extent our achievements against KPIs, as shown earlier in this report, suggest the figures, are not at the cost of service standards. We have a high percentage of employers and our scheme membership structure is very similar to other authorities. The results are particularly pleasing, given our close proximity to London.

AXISe 'EMPLOYER' INTERNET

9. We have plans to extend our use of IT software and seek Members approval to introduce a further software package on offer from the Heywood and Co (Aquila Group) suite used almost exclusively by the LGPS (86 of 89 authorities use AXISe software).
10. AXISe 'Employer' internet enables scheme employers to connect direct with the AXISe database and perform various 'self service' transactions. Connection is via a secure connection and all transactions can, during the testing phase, be monitored/authorised by the section.
11. The software enables employers to undertake the following transactions on a self service/remote basis:-
 - New starts, leavers and hour change amendments/advice
 - Change of address notification
 - Estimates
 - Contribution Posting
 - Enables the pension section to 'assign' tasks via system for scheme employers
12. It is proposed to set up around 8-10 employers during a testing/pilot period. During this period employers will only be permitted to access their own employee records. No access will be given to the imaged documents of employees for confidentiality reasons.
13. All transactions will be processed via a daily report, monitored by the Pension Section, who will authorise the transactions having checked consistency/accuracy.
14. A project plan is being prepared detailing the timeframe for testing, during which, it is intended to identify risks/benefits/audit requirements prior to the system being rolled out to other employers.
15. The 'one off' software cost is £45,724 in year 1 with ongoing costs (maintenance, license fees) of £6224 per annum. These costs have to be met to engage in the testing/pilot period.
16. Despite the initial cost mentioned above I am satisfied that this is the way forward for the future of the section. It will replace the high levels of data exchange in paper format. Our previous IT developments in 'Document Imaging' and 'workflow' have been highly successful.
17. In addition, I believe the transfer of responsibility, for the initial data input will improve the error rate currently seen in employer paper advices to the section.
18. Overall I think this initiative has the potential for a very significant impact in the future. Members are asked to confirm their agreement to the purchase of this software to enable the 'pilot' to be progressed in 2008.

OTHER TOPICAL ISSUES

Valuation

19. All data was despatched to Hymans Robertson in the first week of August this year. The results of the scheme valuation will be reported to employers on 13 November.

New Look LGPS

20. Members were advised of the key design features of the new look LGPS in my report in June 2007.
21. Consultation continues in terms of the existing member protections under the 85 year rule. Final decision for the proposed new 'ill health' regulations are also awaited. The other broad features are to remain unchanged.
22. It is expected that the extension of protection under the 85 year rule for existing members, which has been the subject of particular debate between CLG/Employers/Trade Unions over the last 12 months, will be agreed. Protection will be extended for existing members, if this is the outcome of the consultation, through to 2020 in common with Scotland.
23. I regret to inform members that actuarial factors to support the amendments to the scheme for introduction on 1 April 2008, remain outstanding. CLG and GAD (Government Actuaries Department) had promised the factors by 1 October 2008 but it now seems they will not be available until the calendar year end with some to be delayed until the spring of 2008.
24. This will result in our partners at Heywood and Co being unable to fully develop the administration system, in readiness for the launch date (1 April 2008). The result will be a number of complex calculations being manually processed by Pension Sections across the UK.
25. Appropriate representations have been made to CLG, via the CLASS Group Management Team (Consortium for Local Government Pension Managers) for which I act as Chairperson. I am not confident that these overtures will result in improvement of the likely development timetable.

RECOMMENDATION

31. Members are asked to recommend the acquisition of AXISe Employer Internet.
32. Members are asked to note the remainder of this report.

Patrick Luscombe
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**Achievements against Benchmark Targets
and Performance Indicators**

Case Type	Target Time	6 months to April 2007		6 months to October 2007	
		Number	% in target	Number	% in target
Calculation and payment of benefit award	10 days from receipt of all paperwork	662	98%	803	99%
Calculation and payment of dependant benefit	10 days from receipt of all paperwork	158	99%	165	100%
Provision of benefit estimate	20 days from receipt of all paperwork	1063	94%	1077	97%
Reply to correspondence	Full reply within ten working days	578	95%	558	98%

**CIPFA Benchmark 2006/07
Administration Costs**

Cost Centre	KCC	Average Peer Group	Average all Authorities	Rank out of 17 (peer group)
Staff costs per scheme member (excluding payroll)	£9.16	£9.40	£9.89	7 th
Costs per member of staff (FTE)	£23464	£26359	£28523	3 rd
Number of scheme members per FTE	2562	2982	3081	6 th
Payroll costs per scheme member	£1.44	£2.87	£4.14	3 rd
Payroll costs per pensioner	£6.67	£14.04	£18.52	4 th
Communication per member	£1.73	£0.78	£0.91	15 th
Actuarial costs per member	£1.78	£0.93	£1.07	16 th
IT costs per member	£1.40	£1.91	£2.49	6 th
Accommodation costs per member	£0.81	£0.69	£0.74	12 th
Total admin costs per member	£17.16	£19.68	£22.66	5th